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Advertising Age®

Crain's International Newspaper of Marketing. In Two Sections, Section 1.

Florida ad tax scare

Out-of-state media would pay

By STEVEN W. COLFORD

Florida state officials are planning to tax all advertising coming into the state—including commercials on network TV and ads in national print media.

Such a step, if ultimately approved by the Florida Legislature, would be unprecedented, industry observers say.

Several states, including Illinois and Texas, are considering or expected to consider ad taxes, and Florida's bid to tax ads originating out of state could be copied elsewhere.

"It's frightening," said John O'Toole, exec VP of the American Association of Advertising Agencies. "It clearly would be an onerous burden with one state, but what if this fever spreads to the other 50 states? Then everything will grind to a halt."

The Florida plan would apply the state's proposed 5% sales tax on advertising to ads placed outside the state in such national media as the major broadcast networks and publications such as *Time* and *USA Today*.

The Florida ad-tax fight had been a top-priority item for national ad industry associations even when it was viewed as affecting only advertising placed through Florida-based media and agencies. Now the attempt to apply the tax to national media dramatically raises the stakes.

Jim Francis, Florida's director of tax research, disclosed the broader tax strategy last week. "States that have taxed advertising generally have tried only to tax local media," he said, "because of fear they'd run afoul of federal limitations on ... interstate commerce.

"That is a silly and unsophisticated approach. Just because there's an interstate element shouldn't mean it can't be taxed. All local advertising is fully tax-

(Continued on Page 99)

Chevy compacts carry full-size media backing

By RAYMOND SERAFIN

WARREN, MICH.—Chevrolet is spending an estimated $35 million in a six-week media blitz for its new Corsica and Beretta compact cars as part of the General Motors division's biggest launch ever.

The media plan highlights include running spots on every NBC prime-time program during the seven days of March 13 to 19, and double gatefolds (front and back cover) in issues of *Car & Driver, Newsweek, Sports Illustrated* and *Time*.

Chevy's schedule on NBC resembles a "vertical roadblock" of spots that Coca-Cola USA ran last week during the network's Thursday prime-time lineup (AA, March 2).

The new compact cars are the first from-the-ground-up products to be produced by General Motors following its massive 1984 reorganization designed to make the No. 1 automaker more market-driven, especially at the division level.

GM sorely needs a product winner, and to get one it will spend big on the

(Continued on Page 98)

Chevrolet's TV spots for its new Beretta feature dissolves between a shark and a Beretta, drawing parallels with the car's sporty, sleek lines. "Discover a new species" the voice-over says as the car emerges from the water. Campbell-Ewald Co. is handling the estimated $35 million campaign.

Last Minute News

Plapler decides agency's future this week

NEW YORK—Larry Plapler, chairman of former People Express Airlines agency Plapler & Associates, says he expects to decide this week on the shop's future. Mr. Plapler, whose former partner, John Russo, left the agency (AA, Feb. 9), said he was trying to link up with one of several agencies, but he would not name them. Plapler's only remaining client is Berkey Marketing Corp., Woodside, N.Y.-based marketer for several photo accessories companies.

Beatrice to sell stock in int'l unit

CHICAGO—Beatrice is planning a public stock offering for its international foods unit by June after having second thoughts about such a move late last year, a company insider said.

Orbis may enter Coke-Paramount venture

LOS ANGELES—Coca-Cola Co. and Paramount this week are expected to add New York-based Orbis Communications to their barter-sales joint venture. A spokesman for Coca-Cola Telecommunications said an agreement hasn't been signed, but sources said the three companies have agreed in principle to join forces and Coca-Cola has scheduled a New York press conference for March 11. Coca-Cola and Paramount originally planned to buy Grey Adver-

(Continued on Page 8)

PLO coupon clip

Millions of dollars reportedly diverted

By MAUREEN GLABMAN

MIAMI—A coupon misredemption operation being investigated by the U.S. Postal Service allegedly funneled millions of dollars to the Palestine Liberation Organization.

"I doubt that anyone with any information will verify the PLO connection because of an ongoing investigation into that aspect of the case," said Julian Mack, a Dade County assistant state's attorney who helped to prosecute more than 70 local defendants in the coupon scheme.

However, a spokesman for the Hollywood, Fla., police department said many of those involved in the misredemption attended PLO meetings where they waved PLO flags, where PLO flyers were passed out and where PLO letterheads were available.

The misredemption ring's activities were first made public in a U.S. Postal Service "sting" operation in 1986, when coupons for a nonexistent product—Broach insecticide—ran in three Florida newspapers (AA, March 31, 1986). That sting was part of an ongoing national Postal Service investigation called "Operation Clip."

The Hollywood police department became involved through another case it was investigating.

"The letters PLO were chiseled into the floor of a building in Hollywood where a meeting was taking place," said Paul Dungan, a Hollywood police spokesman.

"We weren't able to follow the actual funds, but there is a strong indication that money from illegal operations was going to the PLO."

Mr. Mack said one of the principal figures in the case, Adnan "Tommy" Bahhur, is expected to

(Continued on Page 98)

Whom do you love?—Page 3

Highlights

Coupon scam 1
A coupon misredemption operation being investigated by the U.S. Postal Service allegedly produced millions of dollars funneled to the Palestine Liberation Organization. The culprits allegedly stole or bought newspaper coupon inserts and redeemed them through coupon clearinghouses and other retailers.

Spending up in beauty products 3
After holding back ad spending in 1986, major beauty marketers are changing course—boosting ad budgets and laying the groundwork for new-product introductions through 1988.

Navy draw 4
Competition for the Navy's estimated $20 million recruitment advertising account will pit 12-year incumbent Ted Bates Advertising against a pack of veteran agencies.

Pan Am revamps ads 12
Pan American World Airways has recast its corporate-image advertising for the first time since 1982 in an attempt to rebound from some of the industry's most disastrous marketing problems. The estimated $5 million campaign, themed "Expect more from Pan Am," pitches the carrier's commitment to improved service.

Johnson freshens up 24
S.C. Johnson & Son didn't see the punch coming that knocked it out of the No. 1 spot in the air freshener market, but it's back on its feet with a new product to help it regain the title.

FSIs score coupon coup 83
Package-goods marketers increased their coupon usage 18.5% in 1986 and relied more heavily on free standing inserts to deliver those coupons. But the percentage of coupons redeemed remained flat.

"Amerika" fallout 92
Now that the smoke has cleared and the Russians have gone home, "Amerika" may be remembered as a minor ratings disappointment for ABC-TV and some of its sponsors. It may affect how ABC packages its next miniseries extravaganza, "War & Remembrance."

BBDO's Pepsi day 97
BBDO Worldwide has gained its second piece of European PepsiCo soft-drink business at the expense of J. Walter Thompson Co., and it may be in line to win more.

FEATURES

Healthcare's hearty budgets 42
Consumer ad agencies are forming subsidiaries and adding executives to attract accounts in the rapidly growing healthcare industry. One projection is that U.S. healthcare advertising may total $1.6 billion by 1990.

INTERNATIONAL

Condom ads abroad 62
Condom marketers and governments around the world are changing their approaches to condom advertising in an attempt to slow the spread of acquired immune deficiency syndrome.

DMB&B's Tokyo stake 64
D'Arcy Masius Benton & Bowles, in an effort to boost its position in the Asia/Pacific region, has purchased 24% of a Japanese agency, Tokyu Advertising International, that once had an unsuccessful joint venture with Ogilvy & Mather.

OTHER NEWS

Cajun cuisine is rising from the Deep South as national and regional food companies move to capture a piece of this emerging category. The food craze that has made blackened redfish a staple at restaurants is spreading to grocery-store shelves. Page 3.

A German publishing house has signed 15 major multinational companies to advertise in a new fashion and pattern quarterly, *Burda Moden*, the first Soviet edition of a Western consumer magazine. Page 28.

Auto marketers will pump more than $100 million a year into advertising cars in a low-price segment that scarcely existed before the mid-'85 introduction of the Yugoslavian-built, $3,990-price Yugo GV. Page 36.

Eastman Kodak Co.'s "new vision of Kodak" may look gray, but the $50 million it will spend this year on an international business-to-business ad campaign presents a very bright picture. Page 91.

The appointment of Howard Baker as the White House's new chief of staff cleared the way for President Reagan to address the nation last week, but it also cost him a flag-waving ad campaign funded by conservative supporters. Page 92.

Great Britain's Land Rover is plunging into the U.S. market with a $30,000 off-road vehicle targeted at super-affluent buyers who find it impractical to take their European sedans everywhere. Page 93.

SPECIAL REPORT

***MAGAZINES**—with circulation now accounting for half of magazine revenues and ad sales flat, the industry is investigating new circulation-building strategies—premiums, TV advertising and pricing.*

REGULAR FEATURES

ADVERTISING MARKETPLACE 87
ADWHIRL 90
BACK PAGES 94
BEST OF PRESS 50
BOB GARFIELD'S AMERICA 46
BRADY 58
BRADY'S BUNCH 78
CON-SID-ERATIONS 16
CORRECTIONS & CLARIFICATIONS 6
CURRENTS 54
DIRECT MARKETING 26
EDITORIAL 16
FOR THE RECORD 95
FORUM 18
LETTERS 20
MEDIA PEOPLE 75
MEDIAWORKS 68, 70
OBITUARIES 81, 98
PARTING SHOT 56
PHOTO REVIEW 72
PRESSTIME 8
REGIONAL NEWS 76
STREET TALK 32
T.N.T., THE NEXT TREND 46
U.S. NEWSWATCH 4
WORDS 58
WORLD NEWS ROUNDUP 3

FIGURES TO FILE

NEWSPAPER AD INVESTMENT, DECEMBER '86 50

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Ad, media group starts hard-hitting war on drugs

By STEWART ALTER

NEW YORK—The TV commercial from McCann-Erickson's Detroit office shows a rat dying. As the animal jerks its way to a cruel conclusion, a voiceover says: "Only one drug is so addictive [that] nine out of 10 laboratory rats will use it and use it and use it until dead. It's called cocaine and it can do the same thing to you."

The Media-Advertising Partnership for a Drug-Free America's war on drugs is officially on, and the first ads invoke hard-hitting images of death, dependency, mental and physical destruction and wasted lives.

The much-delayed anti-drug campaign was hailed by the new partnership as the "biggest pro bono advertising drive since the war bond campaign of World War II." It is unlike any other public service effort, the group said, both in scope and approach.

While a typical ad campaign is focused in its message and its target audience, this effort "will be aimed at a variety of demographically and psychographically different groups, and it will have no traditionally single theme, but rather a multiplicity of messages, each hopefully motivating to the group it is intended to reach," said Allen Rosenshine, chairman of Omnicom Group, speaking as chairman of the Partnership's Creative Review Committee.

Beyond the need for the "multiple audience, multiple message requirement," Mr. Rosenshine said, "I believe this is the right approach because 'denormalization' cannot be accomplished by a surgical strike of a single great commercial or even a campaign in the classic sense. 'Denormalization' of attitude and behavior in actual or potential drug usage demands an incessant bombardment from every direction against every stratum of society, every month, every week, every day."

Mr. Rosenshine said that the advertising has been seen by various focus groups to ensure it is relevant and uses the right vernacular. Mr. Rosenshine said this was important because the advertising could have a "counterproductive" effect of reinforcing the value of drugs if the creative did not understand the situation. "We tried not to preach or in any way be arrogant," he said.

Lloyd Johnston, program director of the Institute for Social Research at the University of Michigan, Ann Arbor, and a drug research specialist, observed that marijuana was "portrayed in unrealistic ways" in campaigns in the

(Continued on Page 96)

Scali's creative director departs

SANTA MONICA, CALIF.—Scali, McCabe, Sloves/West's Creative Director Chuck Silverman left the agency last week, following a dispute over the direction of the year-old shop.

Mr. Silverman and President Richard Kelly declined to give specific reasons for the break, but a Scali statement said the split was "by mutual agreement following irreconcilable differences." Bob Needleman, senior VP-associate creative director at Scali in New York, becomes acting creative director.

Mr. Silverman would not disclose future plans, but hinted he may open his own shop. Mr. Silverman's departure follows a similar pattern to his 1985 departure from the now-defunct Fountain Valley office of Cunningham & Walsh. Mr. Silverman left C&W following a dispute with Bill Vogel, then general manager.

With the closure here of fellow Ogilvy Group unit Cole & Weber (AA, Feb. 23), Scali is receiving $9 million in additional billings from Cole clients. The agency also is moving from Santa Monica to Century City's former Cole & Weber offices.

* * *

N W Ayer will merge its Los Angeles office and its Reiser Williams deYong unit under the Ayer umbrella, reliable sources say. John Littlewood, Ayer/Los Angeles president-ceo, acknowledged discussions of a West Coast reorganization were under way, but said he couldn't give specifics. Ayer/L.A. Chairman Bart Stoner will retire, but continue as a consultant to the agency. The move comes on the heels of Reiser Chairman Dick Reiser's departure on March 15 (AA, Mar. 2).

* * *

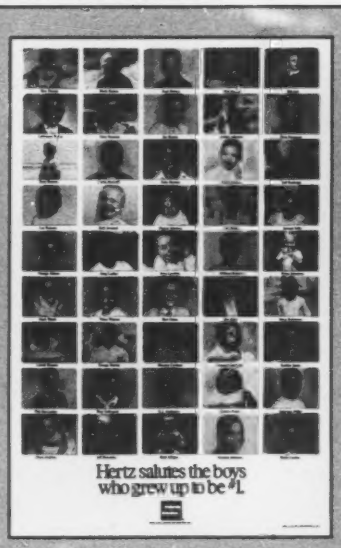
Touje International, Cupertino, Calif., moved its $2 million Touje Dutch Anytime Dessert account to Hal Riney & Partners, San Francisco, from Mojo MDA-Allen & Dorward, San Francisco, without a review. The U.S. arm of Holland's Dudespro B.V. is distributing the chilled, milk-based dessert in California and Nevada, but will take it national by 1990.

* * *

Jacuzzi Whirlpool Bath, Walnut Creek, Calif., is talking to northern California agencies about its $1.5 million account, following a breakup with J. Walter Thompson/West, San Francisco.#

West Coast News

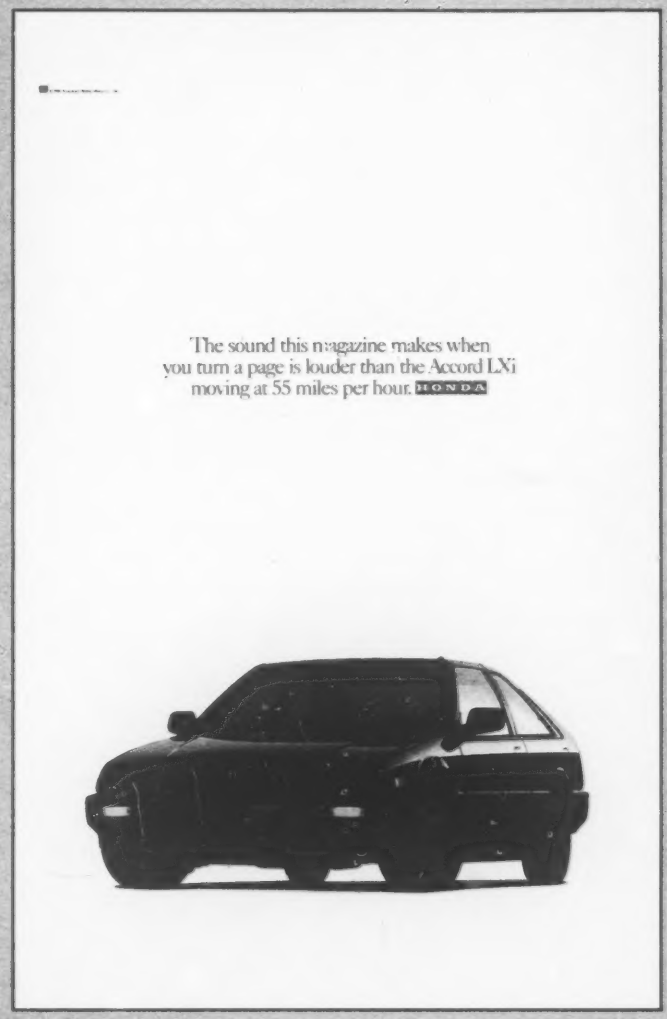
BEST OF PRESS



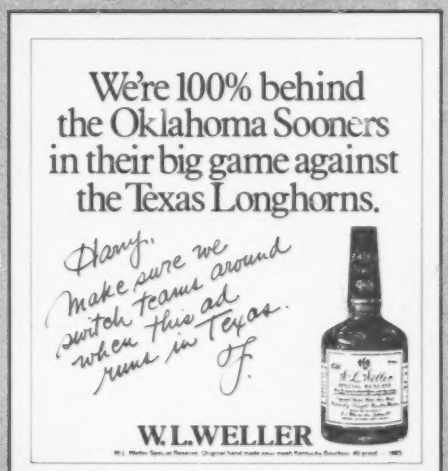
The Giants as wee people was the creative inspiration for this ad from Hertz, via Scali, McCabe, Sloves, New York. The ad ran the day after the Giants beat the Denver Broncos in Super Bowl XXI. Art director: Steve Montgomery; copywriter: Jean Zerries.

This public service ad from Borders, Perrin & Norrander in Portland, Ore., uses a stunning graphic to illustrate the dangers of driving while intoxicated. Creative director: Bill Borders; art director: Warren Eakins; copywriter: Dave Newman; photography: Pete Stone.

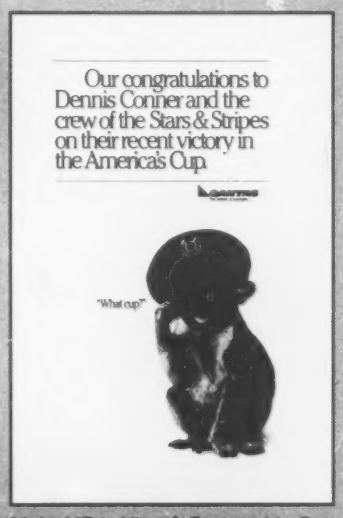
This ad for American Honda Motor Co., via Rubin Postaer & Associates, Los Angeles, borrows a bit from the classic Ogilvy & Mather Rolls-Royce ad from 1958 that stated, "At 60 miles an hour the loudest noise in this new Rolls-Royce comes from the electric clock." The idea also works well now. Creative director: Larry Postaer; art director: Gary Yoshida; copywriter: Bob Coburn; photographer: Lamb & Hall.



You have to read the scribble to get the point of this ad for W.L. Weller Special Reserve Bourbon via Smith/-Greenland Advertising, New York, which pokes fun at sports event tie-in advertising. Creative director and copywriter: Murray Klein; art director: Ared Spendjian.



This ad for Warner-Lambert Co.'s Schick division, via J. Walter Thompson USA, New York, uses a good mix of color, headline and graphic to push a product not normally seen in newspapers. Creative directors: Lee Kovel, Len Fink; art director: John Butler; copywriter: Randi Glatzer; photography: Callor-Resnick Studio.



Mojo MDA-Allen & Dorward in San Francisco informs us that a stock photo was used to put together this ad, which, while backhandedly saluting the crew of Stars & Stripes for winning the America's Cup, gets the message across for client Qantas Airlines. Creative director: Bob Hoffman; art director: John Coll; copywriter: Guy Bommarito.

Best of Press selections are made by a committee of three: Hank Simons, vp-creative director of the Newspaper Advertising Bureau; James Dunaway, vp-information at NAB, and William F. Gloede, Ad Age newspaper industry reporter. National System Inc., St. Louis, provides tear sheets to the Newspaper Advertising Bureau for much of this work.

FLASH REPORT: Newspaper advertising investment for December

December 1986	IN 100 THOUSANDS IN MILLIONS	DOLLARS		CHANGE	
CATEGORIES	YEAR	1986	1985	ACTUAL $ G OR L	% G OR L
Amusements	1986 / 1985	$35,261,655	$33,726,570	+1,535,085	+4.6
Computer stores & supplies	1986 / 1985	8,629,386	8,865,556	−236,170	−2.7
Department stores	1986 / 1985	132,802,960	145,206,828	−12,403,868	−8.5
Food stores	1986 / 1985	37,634,753	32,109,324	+5,525,429	+17.2
Radio, tv, phonographs, records	1986 / 1985	32,740,824	33,908,311	−1,167,487	−3.4
General merchandise stores	1986 / 1985	65,571,725	70,872,427	−5,300,702	−7.5
Alcoholic beverages	1986 / 1985	3,788,759	5,005,993	−1,217,234	−24.3
Cameras, photo supplies & services	1986 / 1985	950,834	1,695,357	−744,523	−43.9
Computers, equipment & services	1986 / 1985	2,975,833	6,517,442	−3,541,609	−54.3
Public service utilities & communications	1986 / 1985	9,013,966	6,615,570	+2,398,396	+36.3
Publishing & media	1986 / 1985	9,798,229	9,811,048	−12,819	−0.1
Cigarettes	1986 / 1985	1,960,942	8,729,602	−6,768,660	−77.5
Airlines	1986 / 1985	9,842,509	8,075,699	+1,766,810	+21.9
Passenger cars-new	1986 / 1985	21,769,751	16,807,849	+4,961,902	+29.5
Banks & trust companies	1986 / 1985	6,893,482	6,112,009	+781,473	+12.8
Stock, bond & investment houses	1986 / 1985	1,715,439	1,657,487	+57,952	−3.5

This Flash Report of newspaper advertiser investments, compiled for ADVERTISING AGE by Media Records, is derived from tabulations that cover 29 dailies and 23 Sunday editions in 15 cities: Atlanta, Baltimore, Boston, Cincinnati, Chicago, Cleveland, Dallas, Denver, Detroit, Los Angeles, New York, Philadelphia, San Francisco, Washington and Youngstown. #

Source: Media Records Inc.

Ad spending slides 3.7%

NEW YORK—Advertiser spending in major-market daily newspapers fell 3.7% to $380.5 million in December 1986 from year-before levels, according to the Flash Report of newspaper advertising Investments prepared by Media Records Inc. here.

Department stores led the falloff with an 8.5% cutback of more than $12.4 million to $132.8 million. General-merchandise stores also cut spending by 7.5% to $65.6 million. The computer categories were off, with the retail category, computer stores and supplies, off 2.7% to $8.6 million, and the national category, computers, equipment and services, off 54.3% to roughly $3 million. Cigarette spending, which had declines through most of 1986, was off 77.5% to $1.9 million.

The losses were partially offset by big gains in spending by food stores, which pumped 17.2% more into the measured dailies this December than they did a year ago for a total of $37.6 million. New passenger-car spending was up 29.5% to $21.8 million; airlines were up 21.9% to $9.8 million; amusements were up 4.6% to $35.3 million; and public service utilities and commissions were up 36.3% to $9 million.

The FLASH REPORT is based on SAU inch measurements in 29 daily and 23 Sunday newspapers in 15 major markets.#

Special Report

Mary Flock

Industry racks up new ideas to build circulation

By Julie Liesse Erickson

Mailboxes are filled with cut-rate subscription offers. Daytime television is riddled with ads offering cameras and keychains with paid subscriptions. Newsstands are showcases for celebrities, placed on magazine covers to catch the eye of the fickle browser.

With ad revenues flat, ad pages down and traditional advertiser categories grappling with problems of their own, it's no surprise that circulation has become a focal point for the magazine industry.

In the past five years, circulation has risen from 45% to 50% of magazine revenues, which rose 3.3% to $5.12 billion in 1986, according to the Publishers Information Bureau, New York.

But this increasingly important revenue source suffers from continuing declines in single-copy sales.

Thirty years ago, the U.S. was a nation of newsstand shoppers. In 1956 single-copy sales accounted for 40% of total magazine circulation. Last year, however, single-copy sales contributed only 23.5% of the 325.5 million circulation of Audit Bureau of Circulations' 481 audited magazines.

The volume of newsstand circulation also has declined every year since 1980, when it totaled 93.9 million for 406 ABC-audited titles. In 1986 the number stood at 76.5 million.

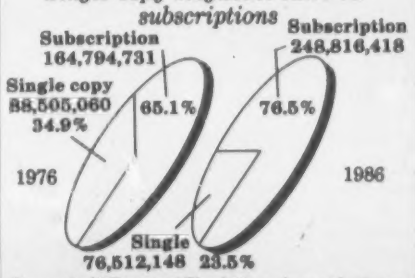
Ruth Shields, magazine group circulation director for Time Inc., New York, says three factors are primarily responsible for the newsstand sales slump. First, the average consumer is making fewer trips to the supermarket. There he is confronted by a huge choice of magazines, a selection from 2,500 active U.S. titles, according to

(Continued on Page S-20)

Unless noted, all circulation figures listed in this report are total circulation averages for the six months ended Dec. 31, 1986, as reported in Audit Bureau of Circulations' FAS-FAX.

Single-copy slice gets slimmer

Single-copy magazine sales vs. subscriptions



Source: Audit Bureau of Circulations, six-month averages for first half of 1986.

Circulation

(Continued from Page S-1)
the Periodicals Institute, Fairfield, N.J., an association funded by the magazine and paperback book industries.

Finally, Ms. Shields says, "Magazines have priced themselves on the newsstand aggressively [high]. We need to let other grocery store products catch up with us."

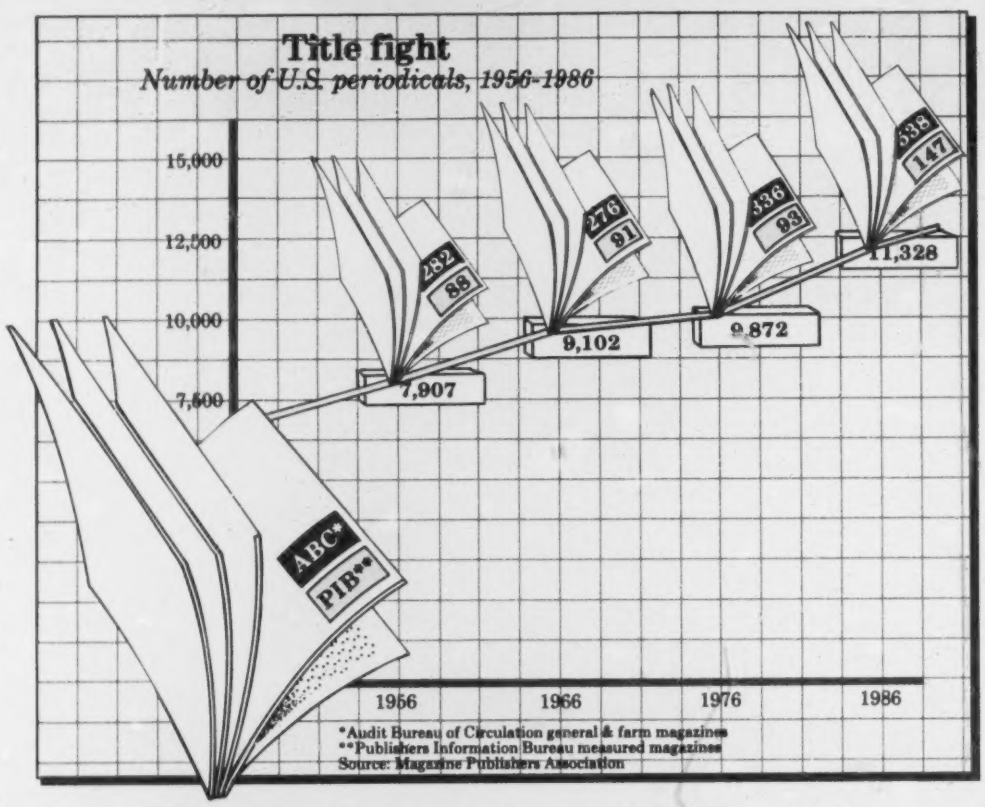
High cover prices make subscription packages, which often include extra gifts, attractive by comparison. "People realize that it's a better deal to subscribe," says Dan Pipp, newsstand circulation manager for Meredith Corp., Des Moines, Iowa. "That's become a sore point among wholesalers. They object to deals that almost mock people who buy magazines at relatively high newsstand prices."

Although newsstand sales have declined, total magazine circulation has risen regularly for the past 10 years—meaning that publishers have become increasingly dependent upon expensively maintained subscriber lists.

According to the Magazine Publishers Association, New York, circulation expenses accounted for 26.8% of a magazine's total costs in 1985, and subscription expenses—postage, direct mail, TV advertising and other promotions—consume the lion's share of that budget.

Some magazines have made only a minimal effort to sign up subscribers. At CBS Magazines' *Woman's Day*, New York, being circulated primarily on newsstands gives the publication an advantage with advertisers, says Publisher Anne Sutherland Fuchs.

"Instead of an annual purchasing decision, which allows the reader to get the magazine every month whether or not she reads it, we are asking her to make that decision every month," she says. "Plus, subscriptions don't make money until the renewal of the renewal."



But even for those magazines sold mostly by subscription, Ms. Shields says, "The newsstand is a good place to bring in new customers and to get feedback on what consumers are interested in in terms of covers and stories."

To generate newsstand interest, publishers are appealing not only to consumers—through TV ads, eye-catching covers, provocative cover language—but also to retailers.

"We desperately need better promotion and merchandising at the retail level," says Jack Fitzmaurice, president of the Periodicals Institute. "Every title is battling for space; there's no way that 2,500 magazines all are getting on the grocery store racks," he says.

Mr. Fitzmaurice believes magazines need to provide retailers with available data that will help them decide how much space to devote to magazines and which titles to carry.

The MPA also is completing a $600,000 study designed to demonstrate magazines' profitability to retailers in terms they understand. A hot acronym in the supermarket business is DPP, or direct product profit. It measures retailer profit after all costs, including transportation, warehousing and in-store labor, are subtracted. The new MPA study compares magazines' DPP with that of other grocery items.

Although the MPA is waiting for final results, the preliminary numbers are "wonderful for magazines," says Jerry Ward, chairman of the association's magazine retail task force and publisher of the *Better Homes and Gardens* special-interest publications at Meredith Corp. At supermarkets, he says, magazines rank among the most profitable products, along with cigarettes, in both DPP and DPP per square foot of shelf space—largely because retailers pay no warehousing or transportation costs.

The MPA committee is preparing to present the study results to retailers around the country. "The study puts us in a great position to improve our retail presence," says Mr. Ward, who supervises 20 newsstand-only titles at Meredith. "It's been frustrating—and very scary—to a lot of us in the industry to see so much space devoted to, for example, videocassette rentals and greeting cards."

Circulation executives also are examining retail promotions designed to increase single-copy sales. Late last year, Meredith's *Better Homes and Gardens*, in conjunction with the Periodicals Institute and Select Magazines, a New York-based national distributor, conducted a buy-one, get-one-free test in 17 supermarkets serviced by Valley Distributors, Norristown, Pa. Consumers were offered a free copy of the November issue of *Better Homes and Gardens* when purchasing the December issue.

Sales in control stores were up 33% over the chain's average *Better Homes* sales for the rest of the year. In stores using only a sign to promote the offer, sales rose 68%, while in supermarkets featuring the magazines in a separate cardboard display, sales were up 186%.

Aside from boosting purchases, this offer allows publishers to salvage expired issues. The industry's rule of thumb is that 50% of all newsstand copies are returned to wholesalers and eventually shredded.

But Mr. Pipp says he has reservations about the test. First, the current setup would have to be changed to allow issues to move back and forth through the wholesale system. Second, although it approved the research, the ABC has not indicated whether it would count these sales as paid circulation. "But the big question," Mr. Pipp says, "is whether the retailer would be willing to commit this kind of space."

Still, Mr. Fitzmaurice is delighted with the test's results. The Periodicals Institute is working on other promotions, including an in-store coupon, tested successfully in 1986, offering a 20% discount on any magazine. He also would like to research the value of advertising contained in magazines; his hypothesis is that each magazine, through ads and coupons contained in it, helps to sell at least one other product.

Magazine executives say these efforts are overdue. "We're working closely on the MPA's study, and trying more conventional promotions, such as couponing, that traditionally are associated with package goods," Ms. Shields says. "I think we can do a lot more in that area."

Premium use

(Continued from Page S-6)
culation through premium offers rather than "enjoying natural levels of circulation through healthy promotions"—reduced-rate subscriptions, for example. He says the spreading use of premiums with renewals moves publishers into "a vicious spiral" of additional use.

Mr. Hall sees circulation expenses rising as more subscriptions include premiums.

He argues that this makes magazines more dependent on boosting advertising revenues in a flat ad market. "You're mortgaging yourself," he warns.

What do the advertisers think? Bernard Stolbof, VP at House of Seagram Media, New York, prefers that readers buy publications for quality rather than "artificial" inducements, although he does consider editorial premiums "more natural." House of Seagram spent $29.7 million in magazine buys in 1985, according to Leading National Advertisers.

Magazine executives divide into two camps when predicting the future of premium use.

Dick Leventer, director of circulation promotion for Hearst Magazines, New York, foresees less of it.

"In premiums, your first four ideas get better, then you run out of easy things to do and have trouble getting a good one," he observes. "People will discover premiums can give you more trouble than they're worth; their costs, and their unpredictable response detract from creativity and renewability."

Changes in publishers' and advertisers' attitudes toward circulation also could lessen premium use. Mr. Drexler believes publishers in the future will accept lower, but more profitable, circulation levels. "We don't see reduction as a sign of weakness," he says.

For publishers that eschew premiums, the purity of their circulation already has become a sales point. Stephen Nicoll, ad director of New York-based *Forbes*, says, "We're not concerned about what others do. They can have the non-influential readers.

"The readers we want aren't going to fall for a radio or a clock," he says.

Time Inc. puts video premiums on cutting edge

After joining *Sports Illustrated* as circulation director in 1985, Lindsay Valk witnessed a continuing evolution in the magazine's premiums and direct-response TV advertising. "We've gotten more sophisticated in our approach, in what sells on TV and the use of premiums," says Mr. Valk, recently named circulation director of *People*.

Like other Time Inc. magazines, *Sports Illustrated*, New York, first promoted some of its special annual issues as editorial premiums available with subscription offers.

After that first batch of editorial premiums, *SI* moved to what Mr. Valk terms second and now third-generation premiums. The second wave included soft goods like T-shirts and windbreakers, then hard goods: cameras, radios, binoculars. Direct mail marketing for the first half of 1987 offers the *SI* football telephone, a football-shaped device that rests on a tee.

The latest wrinkle combines editorial and non-editorial features. With the debut of "Football Follies" in the second half of 1986, videocassettes on sports themes became the magazine's main, or "control," premium. The videocassette theme continues for the first half of this year with "NFL Crunch Course," featuring top defensive plays and players.

Mr. Valk considers videocassettes the cutting edge of premium use at Time Inc., a leader in the field. He likes them because they pull together benefits other premiums lack. For one thing, vcr ownership usually connotes attractive demographics. Also, the topics tie into the magazine's editorial. Finally, the cassettes are "renewable"; that is, different sports topics can be covered within the same type of premium. When one cassette loses its pulling power, *SI* can simply switch subjects.

—Van Wallach

Sidelights

MAGAZINES

Welcome to the premiums bizarre

Premiums come and premiums go. Dick Leventer has seen 'em all. "Steak knives used to be the world's best premium," recalls the former merchandise-by-mail maven, who now works as Hearst Magazines' director of circulation promotion. But knives didn't last, he says, and neither did watchbands or shower radios.

Although bizarre premiums rarely click as well as standards—telephones or cameras, for instance—because they lack broad appeal, magazines occasionally conduct small experiments with expensive or offbeat items. Several years ago, *U.S News & World Report*, Washington, tested a TV set offer in a mailing of 125. An official was reluctant to discuss the matter except to describe the test as "minuscule."

Special-interest magazines *can* offer focused, specialized premiums. Rodale Press, Emmaus, Pa., for example, finds that tomato seeds yield a stronger renewal rate among *Rodale's Organic Gardening* subscribers. Readers also have been offered soil test kits and gardener's kneeling pads, albeit with less success. Bob Kaslik, Rodale's corporate circulation director, laments, "I thought the kneeling pad would work better than it did. It was my idea."

Mother Jones, San Francisco, kicked up quite a stir—and response—with its trademarked Official Ronald Reagan Door Mat. The left-wing magazine, which previously had used only editorial premiums, wanted an unusual offer for its 10th anniversary sweepstakes, says David Assmann, circulation director.

Mother Jones tested the doormat twice, in mailings to 10,000 and then 100,000 consumers. Promotional materials declared, "Transform wiping your feet into a political statement—and a cathartic experience—with this indispensable household accessory."

Since December 1985, the premium has attracted 60,000 new subscribers and led to 20,000 renewals, according to Mr. Assmann; the magazine has a total circulation of 176,342, more than 90% of which are subscription copies. Given the big response, *Mother Jones* probably will continue the offer through the rest of President Reagan's term.

—Van Wallach

'TV Guide' aims for sharper image

There's Judy, the operator for *Time* magazine, and Woody Allen's friend Tony Roberts, pitching for *U.S. News & World Report*. But a recent star among the familiar faces appearing in TV ads for magazines never shows his face.

Mal Sharpe is the man behind the microphone for *TV Guide*. His series of nine variable-length spots, featuring unrehearsed, man-on-the-street interviews with *TV Guide* readers, do exactly what the magazine wants. "Everyone knows *TV Guide*," says Fred Jervis, promotion director. "We wanted to demonstrate what the magazine means to its readers."

Man on the Street Productions, Berkeley, Calif., specializes in exactly that kind of approach, says Mr. Sharpe, a comedian who has been conducting interview commercials for about 15 years. On radio currently in spots for AT&T's long distance service and Hilton Hotel Corp., Mr. Sharpe found his approach surprisingly transferable to television.

"TV has always been uptight," he says. "And radio has always been totally loose. That's why I tend to work more in radio. But what *TV Guide* wanted was to show people being warm, relaxed, funny and saying nice things about the magazine. It was designed to be a departure from the traditional scripted, stiff testimonial."

Mr. Sharpe took his microphone, a single camera and a small crew to local shopping centers, and stopped customers who had been spotted buying *TV Guide*. During a two-day shoot, he interviewed more than 80 customers of the weekly magazine.

"Frankly, I was surprised by the people who bought the publication. I was expecting, well, you know . . . people who looked like they sat in front of their TV all day. What we got was a wide cross section of people, including attorneys, executives and yuppies of all sorts, talking about their relationship with *TV Guide*. They said all sorts of positive things about the magazine that no copywriter would ever write."

Mal Sharpe and the tools of his trade.

The ads feature a man who says he takes the magazine into the bathtub with him, another reader who claims it's the best magazine in America and still another who counts reading *TV Guide* as part of the Bill of Rights.

"All I'm trying to do," Mr. Sharpe says, "is evoke some humor and some honesty from people."

—Len Strazewski

Mailer looks inside new 'Soviet Life'

A window on the envelope displays a "special savings token" for new subscribers. Included is a punchy letter, with the obligatory "handwitten" P.S.: "If you subscribe now you'll also receive free our big 30th Anniversary Special Issue!" But this is not a typical Madison Ave. mailer.

The letter is signed by Yuri B. Savenkov. The letterhead reads, "*Soviet Life*, 4 Zubovsky Blvd., Moscow, USSR."

Is this *Soviet Life* circulation drive the latest move by the newly marketing-conscious Soviet government? "Oh Lord no, we've worked on and off for them since 1966," says Tony Arau, president of A&R Group, Wayne, N.J., *Soviet Life's* marketing consultant until early this year.

The current mailer first was used in 1983. *Soviet Life's* publisher, the Soviet Embassy in Washington, periodically mounts campaigns to keep circulation at the legal limit of 62,000—52,000 subscriptions and 10,000 single-copy sales.

Mr. Arau looks for subscribers among "serious readers, interested in world affairs and politics, and foreign travel . . . not necessarily left-wingers."

The mailer itself is apolitical—no Lenin's tomb and only one picture of tractors. Mr. Arau says response rates rise during crises.

With the help of the U.S. Information Agency, Soviet Life has upgraded and added color to its look. Although Mr. Arau boasts of "a less heavy-handed, less propagandistic" tone, a recent issue offered "Excerpts from Mikhail Gorbachev's Report at the Plenary Meeting of the CPSU Central Committee."

—Van Wallach

In ego battle, 'GQ' plays trump card

Celebrity egos occasionally work to a magazine's fiscal advantage. According to *Gentlemen's Quarterly* Editor Art Cooper, real-estate magnate Donald Trump despised his *GQ* cover story, so he bought all the issues in the lobby of Manhattan's Trump Tower.

Immediately, the Conde Nast Publications monthly gleefully replenished the supply. Mr. Trump responded by snapping up the second batch. The game lasted several rounds, with *GQ* capitalizing on Mr. Trump's disdain all the while.

"I thought, 'Hey, we really have something going here,' " Mr. Cooper recalls. "I figured we could have had our all-time best-selling issue if he kept it up."

—Debra Kent

Associate editor Julie Liesse Erickson coordinated this report on Magazines.

Coming

Next week Advertising Age's Special Report will focus on **Marketing to the Affluent.**

"To raise your rate base and sell subscriptions with premiums is detrimental to the reliability of what we're selling to advertisers. We should be selling a subscriber who is interested in what's printed in our pages. I think that it totally diminishes our value and credibility when we sell with anything other than our publication."

Stephen Nicoll
Forbes

Magazines HIT LIST

Sidelights lists the nation's leading magazines below.

Largest circulation

1. ***TV Guide*** - 16,800,441
2. ***Reader's Digest*** - 16,609,847
3. ***Modern Maturity*** - 13,597,330*
4. ***National Geographic*** - 10,764,998
5. ***Better Homes and Gardens*** - 8,091,751
6. ***Family Circle*** - 6,261,519
7. ***Woman's Day*** - 5,743,842
8. ***Good Housekeeping*** - 5,221,575
9. ***McCall's*** - 5,186,393
10. ***Ladies' Home Journal*** - 5,020,551

*Audit Bureau of Circulations' reports for first half of 1986.

Largest newsstand circulation

1. ***TV Guide*** - 8,482,246
2. ***Family Circle*** - 5,688,100
3. ***Woman's Day*** - 5,672,578
4. ***National Enquirer*** - 3,944,496
5. ***Star*** - 3,399,127
6. ***Cosmopolitan*** - 2,514,444
7. ***Penthouse*** - 2,140,098
8. ***Good Housekeeping*** - 1,755,528
9. ***People*** - 1,740,557
10. ***Glamour*** - 1,679,194

Source: For two charts above, Audit Bureau of Circulations' FAS-FAX report of average circulation for the six months ending Dec. 31, 1986. Does not include groups or comics.

Highest ad revenues

1. ***Time*** - $344,780,783
2. ***TV Guide*** - $318,074,967
3. ***People*** - $267,694,019
4. ***Sports Illustrated*** - $247,413,631
5. ***Newsweek*** - $238,364,889
6. ***Business Week*** - $166,617,226
7. ***Good Housekeeping*** - $144,992,240
8. ***Family Circle*** - $141,639,104
9. ***Better Homes and Gardens*** - $129,845,029
10. ***Woman's Day*** - $123,549,594

Source: Publishers Information Bureau for 1986.

Highest cover prices

1. ***American Demographics*** - $6.00
2. ***The Magazine Antiques*** - $5.00
3. ***Satellite Orbit*** - $4.95
4. ***Architectural Digest*** - $4.50
5. ***Southwest Art*** - $4.50
6. ***80 Micro*** - $4.00
7. ***House & Gardon*** - $4.00
8. ***Penthouse*** - $4.00

Several tied for 9th and 10th

Source: Monthly magazines audited by Audit Bureau of Circulations; cover prices reported for second half of 1986.

FSIs favored by marketers as product coupons multiply

By LAURIE FREEMAN

Package-goods marketers increased their coupon usage 18.5% in 1986 and relied more heavily on free standing inserts to deliver those coupons. But the percentage of coupons redeemed remained flat.

More than 208 billion coupons were distributed last year through inserts, print advertising and direct mail, according to Summary Scan, a Chicago-based division of the Advertising Checking Bureau. Of that total, 8.75 billion coupons (4.2%) were redeemed at a cost (face value plus 10¢ handling fee) to package-goods manufacturers of $4.2 billion.

The number of coupons misredeemed by consumers purchasing the wrong product, or by syndicated coupon rings, remained fairly constant. Coupon industry sources say 10% to 15% of all coupons distributed in 1985 and 1986 were misredeemed.

Free standing coupon insert companies, like Quad Graphics and Product Movers, are continuing efforts to block coupon fraud by placing FSIs in subscription-only copies of Sunday newspapers.

The 1986 numbers represent an 18.5% increase over the 175.5 billion coupons distributed the previous year, and a slight increase over 1985's 3.9% redemption rate (at a cost of $3.01 billion).

Comparable data from A.C. Nielsen Co.'s Manufacturers Coupon Control Center in Clinton, Iowa, show a lower but still substantial growth rate. MCCC puts the 1986 coupon total at 202.6 billion, up 12.6% from 179.8 billion coupons in 1985. Redemption rate for both years was 3.6%.

Different tracking methods account for the discrepancies. Summary Scan uses numbers from 22 measured markets to make national projections. MCCC gets its data directly from manufacturers that use its clearinghouse services.

Beyond increases in the sheer number of coupons, the greatest changes have come in the form of distribution.

According to Summary Scan data, FSIs carried 80% of the coupons distributed in 1986, compared with a 53.1% share the previous year.

The increase in FSI usage came at the expense of every other delivery medium. Hurt most, according to Summary Scan data, were magazines, whose share of total coupons delivered dropped to 5% in 1986 from 26.1% the previous year. Daily newspapers' "Best Food Day" sections' share dipped to 10% from 12.1%; newspapers' Sunday magazines and comics sections dropped to 1% from 4.6%.

The least affected was direct mail, which accounted for 4% of coupons in 1986, compared with 4.1% the previous year.

MCCC's numbers show similar, if less dramatic, changes.

Its data have FSIs' share at 68.8% in 1986, compared with 59.9% the previous year. Magazines' share dipped to 6.5% from 8.6% in 1985; newspaper run-of-press dropped to 7.4% from 12.2%; newspaper co-op advertising carried 7.1%, down from 8%; Sunday supplements carried 1.2%, down from 2.1%; and direct mail was down slightly to 4% from 4.4%.

MCCC numbers also include on-pack/in-pack coupons, which it shows increasing to 5.8% of coupons delivered from 4.8% in 1985.

An MCCC spokesman said FSI use has increased because "it's the most economical way for manufacturers to get their coupons to consumers. Until a few years ago, FSIs were only eight pages in length. Now they can be 30 or more pages, and more manufacturers are taking advantage of the expanded format."

A spokeswoman for the Magazine Publishers Association, New York, said a decline in use of magazines for coupon delivery does not necessarily mean a decline in ad pages. Coupon inserts are counted as regular ad pages, she said.

Several major package-goods marketers, including Bristol-Myers, Colgate-Palmolive Co. and General Foods Corp., have expressed their determination to stabilize, if not decrease, their usage of coupons. But Summary Scan director Kermit Myers expects continued growth.

"All the manufacturers claim they're cutting back, but I think it's wishful thinking for the most part," said Mr. Myers. "If the pace continues like [1986], we may see as much as a 20% increase this year. But if they adhere to their desire to cut back, there may be only a 5%-to-10% increase."

However, consumers' perception that manufacturers raise prices to cover the companies' rising promotional costs is one reason redemption rates are fairly low and flat, Mr. Myers said.

According to Summary Scan's data, health & beauty aids marketers surpassed the 17 other major product categories by dropping 38.8 billion coupons and spending $823 million on redemptions.

"This is an extremely competitive category, with a lot of brands that don't have many significant differences between them," one industry source said in explaining the numbers.

The prepared-foods category came in second, accounting for 20.7 billion coupons last year. Close behind were marketers of frozen/refrigerated products, which distributed 19.6 billion coupons in 1986. These three categories issued more coupons in 1986 than were distributed by all marketers 10 years ago, Mr. Myers said.

"No one anticipated this phenomenal and seemingly uncontrollable growth," he said. "As recently as four years ago, there might have been 500 products in a store with coupons, rebates, contests or other special offers. Now, there are 2,000. Virtually every single product has some kind of special offer during the year."#

Coupon usage

Americans were showered with 208 billion coupons in 1986, 18.5% more than during the previous year. Yet only 4.2% of those coupons actually were redeemed. Health and beauty aid marketers continue to be the most active users of coupons.
Source: Summary Scan.

Category	Billions of coupons
Health/beauty aids	38.881
Prepared foods	20.679
Frozen/refrigerated	19.617
Household products	19.000
Cereals	15.406
Pet supplies	14.947
Beverages	14.277
Candy/snacks/chips	11.704
Dairy products	11.516
Baking needs	11.047
Processed meats	7.131
Paper/plastic/alum.	6.326
Cookies/crackers	5.354
Breads/baked goods	2.750
Smokers' needs	2.693
Baby products	1.815
Beer/wine	.653
Miscellaneous	4.229

Magazine ads better received

By VERNE GAY

New York—About one-fourth of the population finds magazine advertising more believable than TV advertising, according to a new study from the Magazine Publishers Association.

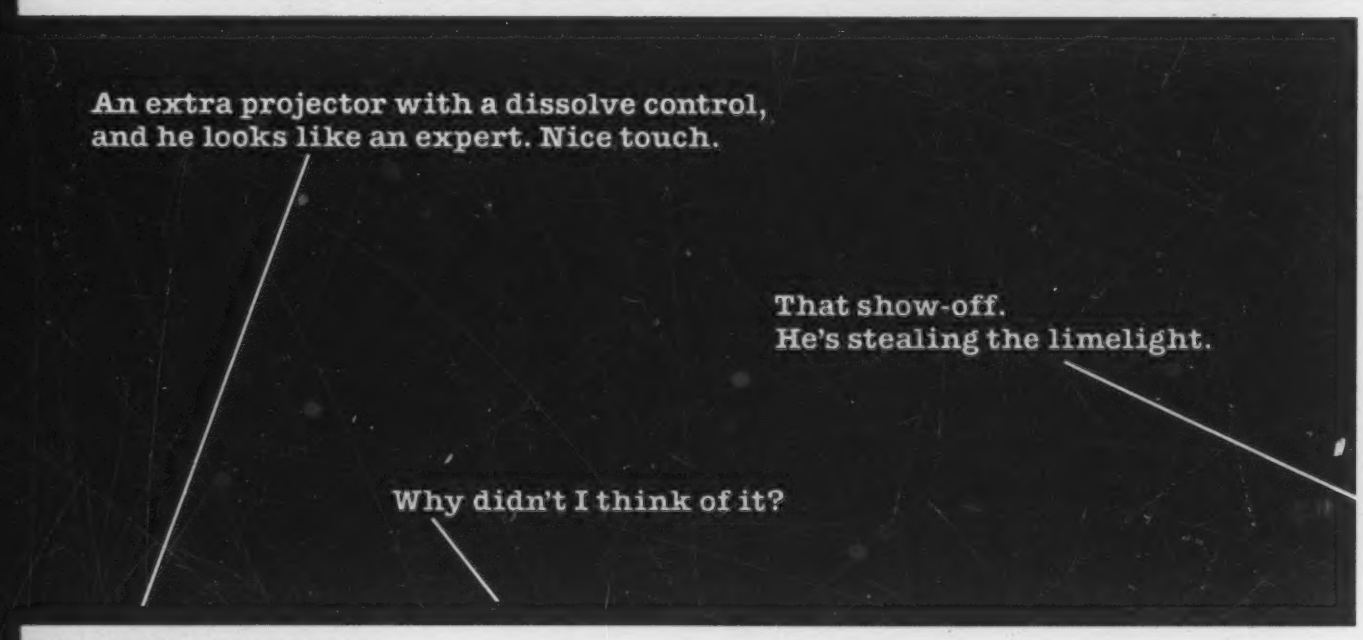
The study of 2,000 adults, conducted last November by Audits & Surveys, reported 21% of men and 26% of women rated magazine advertising more "appealing," "informative" and "believable" than TV advertising.

It also found that 75% of the men and 96% of the women considered TV advertising usually more "annoying," "irritating," "misleading," "silly," "boring," "monotonous," "confusing," "juvenile," "in bad taste" and "offensive" than magazine ads.

When informed of the study, Roger Rice, president of the Television Bureau of Advertising, said the results conflict with a study conducted by R.H. Bruskin & Associates last year. In the Bruskin survey, 57% of the respondents found TV "more authoritative," and 9% found magazines more so, Mr. Rice said.

The MPA study, the fifth in a series, also concluded:

- Magazines contribute most to consumers' personal knowledge about subjects including automobiles, beauty and grooming, careers, culture, entertaining, food, health, hobbies and self-improvement.
- When asked which medium best fits personal needs, 46% of the men and 50% of the women said magazines, with TV a distant runner-up.
- Working women were 30% more likely than women not employed outside the home to turn to magazines for information on finance, 29% more likely for health information and 16% more likely for automobile information.#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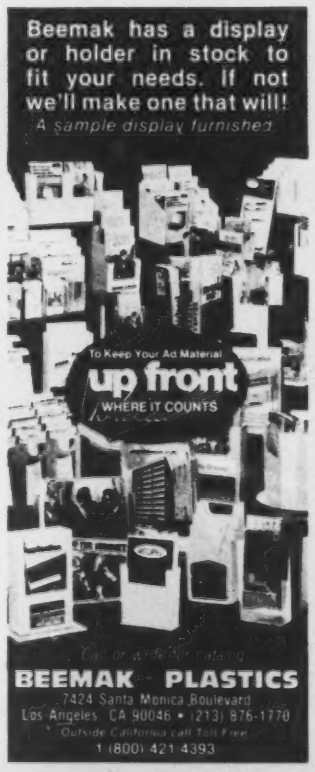
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